

MINUTES
ROCKFORD FIREFIGHTERS' PENSION FUND
August 20, 2015

A regular meeting of the Board of Trustees of the Rockford Firefighters' Pension Fund was held on Thursday, August 20, 2015, at 3:15 p.m. on the second floor of the Fire Department Administrative Building at 204 S. First Street, Rockford, Illinois, pursuant to notice.

CALL TO ORDER

In the absence of President Alan Granite, Secretary Brian Carlson served as President Pro-Tem and called the meeting to order at 3:15 p.m. Upon a call of the roll, the following answered:

ATTENDED: Brian Carlson, Secretary
Tracy Renfro, Trustee

Michael White, Trustee

ABSENT: Alan Granite, President, Chris Black, Trustee/City Finance Director

STAFF: Linda Wlaznik, Pension Investment Accountant

Judi Yehling, Recording Secretary

GUESTS: Attorney Carolyn Clifford, Ottosen Britz
Ignacio Galaz, PIMCO

Eric Gaylord, Marquette Associates

I. PUBLIC COMMENT -- None

II. MINUTES

- The July 16, 2015, minutes of the regular meeting were presented. Tracy Renfro made a motion to approve the minutes as presented and Brian Carlson seconded the motion. Upon a voice vote, the motion passed.

III. APPROVAL OF APPLICATIONS/PENSION CHANGES

- An application for a Duty Disability Pension has been received via e-mail from Driver/Engineer Carla Heitter. Attorney Clifford will issue the requests for records. Carla is being represented by an attorney and the timeframe will probably be about six months.

IV. DISBURSEMENTS

- Michael White made a motion to approve the August payroll of \$1,342,559.63. Brian Carlson seconded the motion. Question was raised about the negative amounts appearing on the payroll summary sheet; these were pro-rated amounts for pensioners who had passed away during the current pay period and two juveniles who are no longer covered. Upon hearing no further questions, a roll call vote was taken:

Ayes:	Tracy Renfro	Michael White
	Brian Carlson	
Nays:	None	
Absent:	Alan Granite	Chris Black

- Invoices totaling \$52,916.16 as shown in the warrant packet were presented. A motion was made by Michael White, and seconded by Tracy Renfro, to pay the invoices as presented in the warrant packet. A roll call vote was taken:

Ayes: Tracy Renfro Michael White
 Brian Carlson
Nays: None
Absent: Alan Granite Chris Black

IV. CASH & INVESTMENTS

- Ignacio Galaz of PIMCO, the fixed income fund manager, presented its annual review report as of August 20, 2015:
 - Galaz has been with PIMCO for 13 years and began by explaining the recent changes at PIMCO.
 - PIMCO's investment fund was at \$200 billion when Bill Gross left after 40 years but the investment process has not changed. Almost all of the outflow was from accounts that Gross handled and the fund is now at \$100 billion. Personnel has remained largely the same and nobody left to join Gross, and PIMCO has, in fact, brought in new people such as Ben Bernake.
 - Eighty percent of what PIMCO manages is outside of fixed income, and they are the largest commodity manager in the world.
 - PIMCO has expanded its relationship with Research Affiliates who does the asset allocation for the All Asset Fund. And all the changes have not really affected the All Asset Fund.
 - The PIMCO All Asset Fund is a tactical allocation strategy which does not use stocks or traditional bonds for the most part but use all other asset classes. It is a highly diversified fund that has daily liquidity. PIMCO uses a contrarian strategy buying cheap assets and selling them when they become expensive.
 - On average the fund has 20% in stocks and bonds and the other 80% is in emerging markets, global credit, etc. The goal of this fund is a high level of return through diversification and a modest level of volatility. The strategy is to return CPI plus 5.
 - Year to date the fund is down 1.5% but "with inflation creeping up, (they) will do well."
 - On page 12, looking at commodities, their exposure has detracted from performance along with TIPS. In the first quarter they had 20.7% in emerging markets which yielded a positive return and although this is a volatile asset class, they are "cheap" and PIMCO believes they are an attractive asset class.
 - Page 13 shows Research Affiliates expected return and volatility for the various asset classes over the next 10 years. They don't expect U.S. equities and fixed income to do a lot.
 - Page 14 shows the allocations and the fund is overweight to emerging markets and credit which they think is "cheap." According to PIMCO this strategy "should perform very differently from the rest of the portfolio." The expected return for this fund is 5.1% with a very low interest rate risk.
 - The fund typically holds 20% in first pillar assets and about 80-85% in third pillar assets as described on page 9. This fund is re-evaluated on a daily basis. PIMCO and Research Affiliates meet on a quarterly basis to go over the things that the model is missing.
 - Currently this fund is at \$36 billion and has been in existence since 2002.

- Eric Gaylord followed up PIMCO's presentation by confirming that PIMCO is still on "Alert" status. The personnel changes have not really affected this fund but its performance has been weak and PIMCO is in some "very challenged places to be."
- Eric Gaylord presented Marquette Associates' Flash Report as of July 31, 2015:
 - Looking at the market in general in July, the unemployment rate has remained unchanged and inflation has been "tame." There are still options for the Feds to make changes in interest.
 - On the fixed income side Barclays was up 0.7% as people moved back into bonds.
 - The U.S. equity market has been very mixed lately. Anything related to oil has been very negative but healthcare has been positive.
 - The S&P is up 2.1% and growth has outperformed value. Europe is doing well lately but emerging markets are down 6.9%, due largely to the Chinese market economy slowing down.
 - The portfolio is pretty much in line with target asset allocations with U.S. equities a little over the target allocation.
 - Performance-wise, the total Fund was up .3%. Looking at the funds and managers individually:
 - The fixed income composite was up 0.6% with Hillswick up 6% and Segal Bryant lagging slightly.
 - U.S. equities were up 1.2% but underperformed the broad market due to large allocations to small cap stocks. Fiduciary outperformed the benchmark at 3.3% and Manning & Napier was down 2% over the month. Manning & Napier is on notice and if there is no improvement next month, we will look at others.
 - Brandes was up 1.8% outperforming the benchmark.
 - Emerging markets were down 8%.
 - In real estate, the Vanguard REIT Index Fund was up 5.6% for the month; Principal was up over 14%. Although the portfolio is overweight to real estate, Marquette is "comfortable with Principal as 1% is not much for of an overweight. Typical overweight is 4% and by policy it can be up to 5% and not re-adjusting here is also a liquidity issue.
- Cash needs are \$300,000 and the recommendation is to take the funds from the Vanguard Value Index to bring the U.S. equity component closer in line with the target. Michael White made a motion, seconded by Tracy Renfro, to remove \$300,000 from the Vanguard Value Index for this month's cash needs. A roll call vote was taken:

Ayes: Tracy Renfro Michael White
 Brian Carlson
Nays: None
Absent: Alan Granite Chris Black

- Records of purchases and sales were distributed.

Michael White made a motion, seconded by Tracy Renfro, to approve the purchases and sales for the month. A roll call vote was taken:

Ayes: Tracy Renfro Michael White
 Brian Carlson
Nays: None
Absent: Alan Granite Chris Black

V. OLD BUSINESS

- The rules update was tabled.
- Attorney Clifford is working on the findings from the McCallips' disability hearing and should have them for approval next month.
- Linda Wlaznik provided a recap of the DOI Annual Statement saying it shows everything accrued throughout the year. It is ready for approval, just requiring the President's signature. Brian Carlson made a motion, seconded by Tracy Renfro, to approve the annual statement for the year ending December 31, 2014.
- The City Audit is concluded and a teleconference is scheduled for next month's meeting with Tim Sharpe to go over the Actuarial Study.

VI. NEW BUSINESS - None

VII. TRAINING

- Attorney Clifford provided the Board with some legal updates and handouts. One was on the property tax freeze bill which the Senate passed and which is currently in the House, noting that public safety levies are exempted.
- Tracy Renfro will be attending the upcoming training IPPFA in Lake Geneva on October 7, 8 and 9.

VIII. CLOSED MEETING – None required.

IX. ADJOURNMENT

A motion was made to adjourn the meeting. Motion carried and meeting was adjourned at 4:10 p.m.
Next regular meeting is September 17, 2015, at 3:00 p.m.

Signed:

Prepared by:



Brian Carlson, Secretary



Judith Yehling, Recording Secretary

9-17-15
Date

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Date

Approved by the Board of Trustees at its September 17, 2015, meeting.